

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Voluntary - Public

Date: 6/24/2010

GAIN Report Number: RS1031

Russian Federation

Post: Moscow

Producers and Processors Agreed on Minimum Sunflowerseed Prices in MY 2010

Report Categories:

Oilseeds and Products

Approved By:

Mary Ellen Smith

Prepared By:

Yelena Vassilieva

Report Highlights:

In view of a bumper sunflowerseed crop, the Russian Grain Union and the Union of Vegetable Oil Producers agreed that the prices of sunflowerseeds in MY 2010 shall not be less than 9,000 rubles (\$300) per metric ton. The compliance with this voluntary agreement will be observed by both parties and the Ministry of Agriculture.

General Information:

On June 21, 2010, the Russian Grain Union, which represents major traders and producers of grain and oilseeds in Russia and the Union of Vegetable Oil Producers represents over 60 percent of oilseeds crushing industry, agreed that the “fair price” for sunflowerseeds (EXW) in the marketing year 2010/2011 shall not be less than 9,000 rubles (approximately \$300) per metric ton. The information about the agreement and its text are on the site of the Russian Grain Union:

http://www.grun.ru/press_service/news/?ELEMENT_ID=1114

<http://www.grun.ru/upload/docs/soglashenie.pdf> Both the Grain Union and the Union of Vegetable Oil Producers invites companies to join to this voluntary agreement.

Russian Agricultural Minister Yelena Skrynnik was present at the signing, although the document does not mention Ministry of Agriculture (MOA). However it is expected that the MOA will use its influence to ensure all parties respect the agreement.

History

The agreement was preceded by active discussions about Russian sunflowerseed market and prices in 2010. Low grain prices led Russian farmers to expand area sown to sunflowerseeds and other oilseeds in 2010. FAS Moscow forecasts sunflowerseed production at 7.4 MMT. Experts forecast the sunflowerseed crop at 7.3 – 7.8 million metric tons, 14-20 percent higher than in 2009. This crop might depress domestic prices as it did in MY 2008 (Graph 1). Producers and traders have begun a campaign for lifting export duties on sunflowerseeds. These duties (20 percent of customs value, but not less than 30 Euro per metric ton) were introduced in December 2006 in response to pleas from the Russian oilseeds crushing industry. Since 2006, the capacity of this industry increased to over 12 MMT and keeps growing; however, domestic oilseeds supply (sunflowerseeds, soybeans, rapeseeds, and other oilseeds) does not exceed 8-9 MMT.

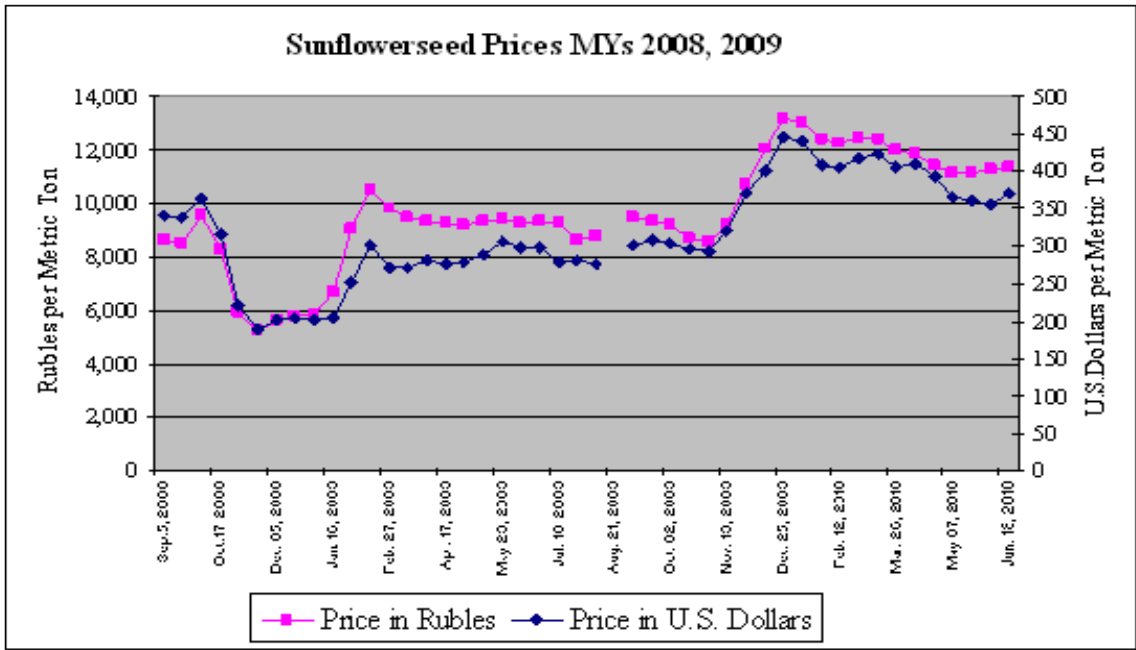
Comments

The present agreement on a minimum price is a compromise reached between the sunflowerseeds producers and traders, on one side and crushers on the other. It is voluntary and crushers may not respect it. However, Aleksandre Korbut, the Vice Chairman of the Russian Grain Union, reports that if the agreement is violated by the crushers, the Grain Union will again initiate lifting export duties on sunflower seed and the crushers may be left without any domestic seeds. Furthermore, this initiative is supported by the Russian Ministry of Agriculture.

If this agreement works, the Russian sunflowerseed market will be more predictable, and big farms (with yields over 2.0 MT per hectare) will continue increasing efficiency of their sunflowerseed production without expanding area. However, the agreement on prices will hardly help small farmers, with yields at approximately 1.0 – 1.5 MT per hectare. The cost of sunflowerseed production on these farms is close or exceeds 9,000 rubles per MT. Besides, the price is agreed for sunflowerseeds that meet the quality standards of the Russian GOST (State Standard) for sunflowerseeds^[i]. Only bigger farms will be able to meet these requirements and will be eligible for the agreed minimum price.

A similar agreement on prices was signed several months ago between the producers and processors of milk and it has been successfully supporting prices since then. It was challenged as being in violation of competition regulations, but after a review the Russian Federal Anti-Monopoly Service did not find violations in the milk agreement^[iii].

Graph 1. Russia: Sunflowerseed prices, EXW, European Russia



Source: ProZerno

Note: Sunflowerseeds production in MY 2008 (begins September 2008) was 7.4 MMT, sunflowerseeds production in MY 2009 (begins September 2009) was 6.4 MMT.

^[i] The agreement refers to the following characteristics from this GOST: moisture – not more than 7 percent, foreign material – not more than 1 percent, maximum allowed acid degree value – 3.5 KON, oil content – not less than 44 percent.

^[iii] More information is on the site: http://souzmoloko.ru/news/news_259.html

Production, Supply and Demand Data Statistics :

PSD, Sunflowerseeds, 1,000 Metric Tons, Area in 1,000 Hectares.

Oilseed, Sunflowerseed Russia	2008/2009			2009/2010			2010/2011		
	Market Year Begin: Sep 2008			Market Year Begin: Sep 2009			Market Year Begin: Sep 2010		
	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post	USDA Official	Old Post	New Post
Area Planted	5,200	5,200	5,200	5,200	6,190	6,190	5,200	6,300	6,300
Area Harvested	6,000	6,000	6,000	5,600	5,590	5,590	6,100	5,800	6,000
Beginning Stocks	290	290	290	575	575	575	245	245	245
Production	7,350	7,350	7,350	6,425	6,425	6,425	7,500	6,800	7,400
MY Imports	12	12	12	15	10	10	10	10	10
MY Imp. from U.S.	0	0	0	0	0	0	0	0	0
MY Imp. from EU	0	0	0	0	0	0	0	0	0
Total Supply	7,652	7,652	7,652	7,015	7,010	7,010	7,755	7,055	7,655
MY Exports	160	160	160	50	30	30	130	50	200
MY Exp. to EU	70	70	70	70	0	0	130	20	50
Crush	6,210	6,210	6,210	6,065	6,105	6,105	6,330	6,200	6,500
Food Use Dom. Cons.	215	215	215	220	220	220	230	220	220
Feed Waste Dom. Cons.	492	492	492	435	410	410	470	400	400
Total Dom. Cons.	6,917	6,917	6,917	6,720	6,735	6,735	7,030	6,820	7,120
Ending Stocks	575	575	575	245	245	245	595	185	335
Total Distribution	7,652	7,652	7,652	7,015	7,010	7,010	7,755	7,055	7,655